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## GENERAL

1. Reaction to Dutch moves in Indonesia --US Embassies London and Canberra report that representatives of the Foreign Offices in both countries have indicated their strong displeasure with the Dutch action in Indonesia. The UK Foreign Office, however, has indicated that it would be most reluctant to invoke sanctions under the UN Charter because of: (a) apparent Dutch determination to carry on "police action" despite the threat of sanctions; and (b) fear for the effects on relations within the western European union. US Embassy New Delhi, meanwhile, has been reliably informed that the Indian Government is so indignant over the Indonesian situation that it may break off relations with the Netherlands and deny the Dutch the use of Indian ports and airfields.
2. US proposes resumption of Austrian treaty talks --The Department of State is transmitting, subject to British and French agreement, a note to the Secretary General of the Council of Foreign Ministers concerning possible Austrian treaty negotiations. The note proposes that the US, British, French, and Soviet deputies meet in London about 7 February 1949 to discuss the basis for the reopening of such negotiations and the early conclusion of a treaty reestablishing Austrian independence.

## FAR EAST

3. CHINA: Continuation of US aid for South China urged --The Chief of the Joint US Military Advisory Group (JUSMAG) at Nanking estimates that the Nationalist army will be defeated in the immediate future and that the National Government will either be forced to leave Nanking or be overthrown within the next few weeks. The JUSMAG Chief believes that the

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Communist armies will not stop at the Yangtze after defeating the Nationalist armies in Central and North China but will continue south, destroy all remnants of the Nationalist forces in South China, and establish a Communist-dominated government over all China, possibly excepting Taiwan. The JUSMAG Chief considers that further military and economic aid will have little effect on the National Government's position either now or in the future. He recommends, however, that as long as the present National Government continues, US aid should not be withdrawn abruptly but should be continued in South China and Taiwan. He believes that the abrupt curtailment of US aid would be widely condemned and would be a blow to US prestige.

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